



Posted: Friday, September 23, 2011

NOTICE AND CALL OF A REGULAR MEETING OF THE TRINIDAD CITY COUNCIL

The Trinidad City Council will hold Second Monthly Meeting on
WEDNESDAY, SEPTEMBER 28, 2010 at 7:00 PM
in the Town Hall at 409 Trinity Street

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- I. CALL TO ORDER/ROLL CALL**
 - II. PLEDGE OF ALLEGIANCE**
 - III. CLOSED SESSION**
There is no Closed Session planned for this meeting.
 - IV. APPROVAL OF AGENDA**
 - V. COUNCIL MEMBER REPORTS, INCLUDING COMMITTEE ASSIGNMENTS**
 - VI. ORAL STAFF REPORTS**
 - City Manager
 - Specific Department Reports
 - VII. ITEMS FROM THE FLOOR**
(Three (3) minute limit per Speaker unless Council approves request for extended time.)
 - VIII. CONSENT AGENDA**
There are no Consent Agenda items for this meeting.
 - IX. DISCUSSION/ACTION AGENDA ITEMS**
 1. Discussion/Decision Regarding Draft Water Rate Presentation by the City Engineer.
 - X. COUNCIL, STAFF, or PUBLIC REQUESTS FOR FUTURE AGENDA ITEMS**
 - XI. ADJOURNMENT**



WINZLER & KELLY

MEMORANDUM

TO: Trinidad City Council
FROM: Rebecca Crow, P.E.
DATE: September 21, 2011
RE: Water Rate Analysis Preliminary Results
W&K JOB #: 01063-11004-11005

Attached to this memo is a presentation on the preliminary results of the water rate analysis being conducted for the City by Winzler & Kelly. The attached will be presented to the City Council at a special meeting on September 28, 2011. Questions and discussion from the August 8, 2011 meeting were taken into account when rate scenarios were being developed. Fourteen rate scenarios were run and four alternatives are included in the presentation. Tables 1, 2, and 3 attached to this memo provide the results of all the scenarios run.

All alternatives eliminated the minimum volume of water (currently 300 cubic feet) being included with the base rate. Also alternatives evaluated both a 25 % and 10% differential between the in-City and out-of-City customers. As expected as the percentage difference decreased, costs were shifted to in-City customers. Several types of consumption rates were also evaluated, and included a uniform rate for all water, rate blocks that increased by 5%, and rate blocks that increased by 10%. As the difference between the low end rate blocks and the high end rate blocks increase, costs are shifted to higher volume users.

Lastly different base rates were considered. The higher the base rate, the more stable rates are and less susceptible to decreases in water use decreasing revenues. However if the base rate is too high, there is less incentive to conserve. In general, as more of the system costs are recovered through the base rate, costs for the lower end users increases, while high volume users see a small reduction. There is little information available to predict the exact impact of increased rates on water use, but experience in other communities has shown over time that as rates increase people will use less water. One item for Council's consideration is to increase the revenue requirement to account for potential 5 – 10% reduction in water use.

Once the presentation has been reviewed with council and questions answered, the next steps will be to select a final rate scenario and then to complete the Proposition 218 public noticing and protect hearing process.

Enclosure
By Email
c: Karen Suiker, Trinidad City Manager

**Table 1: Uniform Consumption Block Rate Alternatives Evaluated
City of Trinidad**

Uniform \$35A

0 CF in Base Rate, 25% Out of City

Usage (CF)	Inside City	Outside City
Base	\$35.00	\$43.75
Consumption	\$6.50	\$8.13

Sample Monthly Billing

Usage (CF)	Inside City	Outside City
100	\$41.50	\$51.88
300	\$54.50	\$68.13
700	\$80.50	\$100.63
10,000	\$685.00	\$856.25

Uniform \$35B

0 CF in Base Rate, 10% Out of City

Usage (CF)	Inside City	Outside City
Base	\$35.00	\$38.50
Consumption	\$7.00	\$7.70

Sample Monthly Billing

Usage (CF)	Inside City	Outside City
100	\$42.00	\$46.20
300	\$56.00	\$61.60
700	\$84.00	\$92.40
10,000	\$735.00	\$808.50

Uniform \$40A

0 CF in Base Rate, 25% Out of City

Usage (CF)	Inside City	Outside City
Base	\$40.00	\$50.00
Consumption	\$5.80	\$7.25

Sample Monthly Billing

Usage (CF)	Inside City	Outside City
100	\$45.80	\$57.25
300	\$57.40	\$71.75
700	\$80.60	\$100.75
10,000	\$620.00	\$775.00

Uniform \$40B

0 CF in Base Rate, 10% Out of City

Usage (CF)	Inside City	Outside City
Base	\$40.00	\$44.00
Consumption	\$6.30	\$6.93

Sample Monthly Billing

Usage (CF)	Inside City	Outside City
100	\$46.30	\$50.93
300	\$58.90	\$64.79
700	\$84.10	\$92.51
10,000	\$670.00	\$737.00

Uniform \$45A

0 CF in Base Rate, 25% Out of City

Usage (CF)	Inside City	Outside City
Base	\$45.00	\$56.25
Consumption	\$5.00	\$6.25

Sample Monthly Billing

Usage (CF)	Inside City	Outside City
100	\$50.00	\$62.50
300	\$60.00	\$75.00
700	\$80.00	\$100.00
10,000	\$545.00	\$681.25

Uniform \$45B

0 CF in Base Rate, 10% Out of City

Usage (CF)	Inside City	Outside City
Base	\$45.00	\$49.50
Consumption	\$5.60	\$6.16

Sample Monthly Billing

Usage (CF)	Inside City	Outside City
100	\$50.60	\$55.66
300	\$61.80	\$67.98
700	\$84.20	\$92.62
10,000	\$605.00	\$665.50

**Table 2: 5% Consumption Block Rate Alternatives Evaluated
City of Trinidad**

5% \$35 A

5% Block Increases, 25% Out of City

Usage (GPD)	Inside City	Outside City
Base	\$35.00	\$43.75
Consumption		
1-100	\$5.68	\$7.10
101-300	\$5.96	\$7.46
301-500	\$6.26	\$7.83
501-1000	\$6.58	\$8.22
1001-5000	\$6.90	\$8.63
5001	\$7.25	\$9.06

Sample Monthly Billing

Usage (GPD)	Inside City	Outside City
100	\$40.68	\$50.85
300	\$52.61	\$65.76
700	\$78.28	\$97.85
10,000	\$736.64	\$920.79

5% \$35 B

5% Block Increases, 10% Out of City

Usage (GPD)	Inside City	Outside City
Base	\$35.00	\$38.50
Consumption		
1-100	\$6.19	\$6.81
101-300	\$6.50	\$7.15
301-500	\$6.82	\$7.51
501-1000	\$7.17	\$7.88
1001-5000	\$7.52	\$8.28
5001	\$7.90	\$8.69

Sample Monthly Billing

Usage (GPD)	Inside City	Outside City
100	\$41.19	\$45.31
300	\$54.19	\$59.61
700	\$82.17	\$90.39
10,000	\$799.63	\$879.60

5% \$45 A

5% Block Increases, 25% Out of City

Usage (GPD)	Inside City	Outside City
Base	\$45.00	\$56.25
Consumption		
1-100	\$4.51	\$5.64
101-300	\$4.74	\$5.92
301-500	\$4.97	\$6.22
501-1000	\$5.22	\$6.53
1001-5000	\$5.48	\$6.85
5001	\$5.76	\$7.20

Sample Monthly Billing

Usage (GPD)	Inside City	Outside City
100	\$49.51	\$61.89
300	\$58.98	\$73.73
700	\$79.37	\$99.21
10,000	\$602.11	\$752.64

5% \$45 B

5% Block Increases, 10% Out of City

Usage (GPD)	Inside City	Outside City
Base	\$45.00	\$49.50
Consumption		
1-100	\$4.90	\$5.39
101-300	\$5.15	\$5.66
301-500	\$5.40	\$5.94
501-1000	\$5.67	\$6.24
1001-5000	\$5.96	\$6.55
5001	\$6.25	\$6.88

Sample Monthly Billing

Usage (GPD)	Inside City	Outside City
100	\$49.90	\$54.89
300	\$60.19	\$66.21
700	\$82.34	\$90.57
10,000	\$650.28	\$715.31

**Table 3: 10% Consumption Block Rate Alternatives Evaluated
City of Trinidad**

10% \$35 A

10% Block Increases, 25% Out of City

Usage (Cf)	Inside City	Outside City
Base	\$35.00	\$43.75
Consumption		
1-100	\$5.12	\$6.40
101-300	\$5.63	\$7.04
301-500	\$6.20	\$7.75
501-1000	\$6.82	\$8.52
1001-5000	\$7.50	\$9.38
5001	\$8.25	\$10.31

Sample Monthly Billing

Usage (Cf)	Inside City	Outside City
100	\$40.12	\$50.15
300	\$51.39	\$64.24
700	\$77.43	\$96.78
10,000	\$810.38	\$1,012.97

10% \$35 B

10% Block Increases, 10% Out of City

Usage (Cf)	Inside City	Outside City
Base	\$35.00	\$38.50
Consumption		
1-100	\$5.43	\$5.97
101-300	\$5.97	\$6.57
301-500	\$6.57	\$7.23
501-1000	\$7.23	\$7.95
1001-5000	\$7.95	\$8.75
5001	\$8.75	\$9.62

Sample Monthly Billing

Usage (Cf)	Inside City	Outside City
100	\$40.43	\$44.47
300	\$52.38	\$57.61
700	\$79.97	\$87.97
10,000	\$856.91	\$942.60

10% \$40 A

10% Block Increases, 25% Out of City

Usage (Cf)	Inside City	Outside City
Base	\$40.00	\$50.00
Consumption		
1-100	\$4.66	\$6.40
101-300	\$5.63	\$7.04
301-500	\$6.20	\$7.75
501-1000	\$6.82	\$8.52
1001-5000	\$7.50	\$9.38
5001	\$8.25	\$10.31

Sample Monthly Billing

Usage (Cf)	Inside City	Outside City
100	\$44.66	\$56.40
300	\$55.93	\$70.49
700	\$81.96	\$103.03
10,000	\$814.92	\$1,019.22

10% \$40 B

10% Block Increases, 10% Out of City

Usage (Cf)	Inside City	Outside City
Base	\$40.00	\$44.00
Consumption		
1-100	\$4.97	\$5.47
101-300	\$5.47	\$6.01
301-500	\$6.01	\$6.62
501-1000	\$6.62	\$7.28
1001-5000	\$7.28	\$8.00
5001	\$8.00	\$8.80

Sample Monthly Billing

Usage (Cf)	Inside City	Outside City
100	\$44.97	\$49.47
300	\$55.90	\$61.49
700	\$81.16	\$89.28
10,000	\$792.28	\$871.51



**City of Trinidad
Water Rate
Alternatives Analysis**

Presented September 28, 2011

By

 **WINZLER & KELLY**

Outline

1. Review Need for Rate Study
2. Expenditure and Revenue
3. Review Types of Rate Structures
4. Review Water Use Data
5. Present Types of Alternatives Evaluated
6. Rate Type Comparison Summary
7. Rate Structure Options
8. Discussion
9. Next Steps

1. Need for Rate Study

- The last rate study and restructuring was applied in 2002
- Expenses are currently exceeding revenues, depleting system reserves
- System improvements need to continually be made
- Current structure could improve promotion of conservation
- Difference between in-city and out-of-city rates is excessive (50% higher for out-of-city)

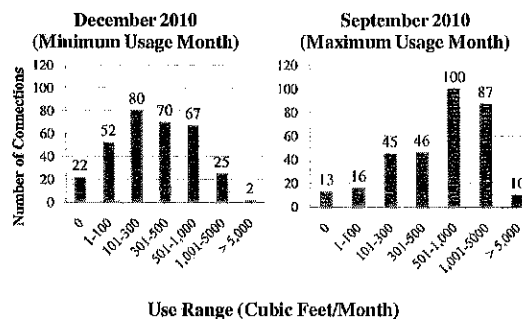
2. Annual Revenues and Expenditures

FY 11/12 Budgeted Revenue	
Water Rate Revenue	\$ 221,000
Connection & Late Fees	\$ 16,000
Interest	\$ 20,000
TOTAL REVENUE	\$ 257,000
FY 11/12 Expenses	
Basic Operational Expense	\$ 254,100
Capital Replacement	\$ 37,000
Capital Improvement	\$ 67,000
TOTAL EXPENSE	\$ 358,100
CURRENT DEFICIT	\$101,100
Water Rate Revenue Requirement	\$322,000

3. Types of Water Rates

- Flat Rate - independent of water use
- Base/ Consumption Rate
 - Base component - uniform per customer type (residential, business, special connections)
 - Consumption Component - unit charge per volume of water
 - Uniform Rate (Current City Rate Structure)
 - Declining Block
 - Increasing Block (conservation)
 - Combination of Rate Structures
- Other - business/ residential, seasonal, fire
- Annual CPI Rate Increase

4. Customer Water Use Data



5. Types of Alternatives Evaluated

1. **Uniform** - Uniform consumption block
2. **5%** - Increasing block, 5% change between blocks
3. **10%** - Increasing block, 10% change between blocks
 - \$35, \$40, \$45 Base Rate - No water included in Base Rate
 - A - 25% increase for Out-of-City Customers
 - B - 10% increase for Out-of-City Customers

Effects of Changes to In-City/Out-of-City Rate Differential

Alternatives included 10% and 25% differential for In-city/ Out of City rates

- As expected, 10% scenarios shifted costs to the In-City users, compared to the 25% differential

Rate Differential Example

Uniform Consumption Rate, 300 CF/Month User

Differential	Base Rate	In-City Monthly Bill	Out-of-City Monthly Bill
25%	\$35.00/\$43.75	\$54.50	\$68.13
10%	\$35.00/\$38.50	\$56.00	\$61.60
Cost Difference		+\$1.50	-\$7.53

Effect of Changes to Base Rate on User Costs

- Lower Base Rates shifts costs to higher volume users
- Lower Base Rates have the highest potential for promoting conservation

In-City Base Rate Cost Example

Uniform Consumption Rate, 10% In-City/Out-of-City

Base Rate	300 CF User Monthly Bill	10000 CF User Monthly Bill
\$35.00	\$56.00	\$735.00
\$45.00	\$61.80	\$605.00
Cost Difference	+\$5.80	-\$130.00

Effect of Changes to Base Rate on Revenue

- A higher base rate is less susceptible to water conservation decreasing City revenues to below revenue requirement.

City Revenue Example:

Water Rate Budget Goal = \$322,100/year

Uniform Consumption Rate, 10% In-City/Out-of-City

Annual Base Rate		Annual Consumption	
Base Rate	Revenue	Consumption	Revenue
\$35.00	\$137,000 43%	\$185,100 57%	
\$45.00	\$156,600 49%	\$165,476 51%	

Effect of Changes to Increasing Consumption Rate Blocks

- Increasing rate blocks shifts costs to high-end users more than uniform rates
- 10% block increase results in the lowest costs for low-end users
- Increasing blocks promote conservation more than uniform consumption rates

Consumption Rate Block Increases Example

In-City, 10% Differential, \$35.00 Base Rate

Consumption	50% CTE Base	10,000 CTE Cap
Block Increase	Monthly Bill	Monthly Bill
Uniform	\$56.00	\$735.00
5%	\$54.19	\$799.63
10 %	\$52.38	\$856.91

6. Rate Type Comparison

Conservation

- Lower base rates have higher potential to promote conservation
- Increasing blocks promote conservation more than uniform consumption rates
- Higher base rates result in revenue less susceptible to significant water use reduction

Rate Differential

- 10 % rate differential between In-City and Out-of-City shifts costs to In-City Users
- Lower base rates result in costs shifted to high-end users
- Increasing rate blocks shifts costs to high-end users more than uniform rates
- 10% block increase results in the lowest costs for low-end users

7. Rate Structure Options

- Existing Water Rates
- Uniform \$35 B: Base Rate \$35, Uniform Consumption Block, 25% Rate Differential
- Uniform \$45 A: Base Rate \$45, Uniform Consumption Block, 10% Rate Differential
- 5% \$35 B: Base Rate \$35, 5% Increasing Consumption Blocks, 10% Rate Differential
- 10% \$40 A: Base Rate \$40, 10% Increasing Consumption Blocks, 10% Rate Differential

Existing Rate Structure

300 CF in Base Rate

Usage (CF)	In-City	Out-of-City
Base	\$34.98	\$52.43
Consumption	\$2.51	\$3.79

Sample Monthly Billing

Usage (CF)	In-City	Out-of-City
100	\$34.98	\$52.43
300	\$34.98	\$52.43
700	\$45.02	\$67.59
10,000	\$278.45	\$420.06

Uniform \$35 B

Base Rate \$35, 10% Out-of-City Differential

	Usage (CF)	In-City	Out-of-City
	Base	\$35.00	\$38.50
	Consumption	\$7.00	\$7.70
Sample	100	\$42.00	\$46.20
Monthly	300	\$56.00	\$61.60
Billing	700	\$84.00	\$92.40
	10,000	\$735.00	\$808.50

Uniform \$45 A**Base Rate \$45, 25% Out-of-City Differential**

	Usage (G/L)	In-City	Out-of-City
	Base	\$45.00	\$56.25
	Consumption	\$5.00	\$6.25
Sample	100	\$50.00	\$62.50
Monthly	300	\$60.00	\$75.00
Billing	700	\$80.00	\$100.00
	10,000	\$545.00	\$681.25

5% \$35 B**Base Rate \$35, 5% Block Increases, 10% Out of City**

	Usage (G/L)	In-City	Out-of-City
	Base	\$35.00	\$38.50
	Consumption		
	1-100	\$6.19	\$6.81
	101-300	\$6.50	\$7.15
	301-500	\$6.82	\$7.51
	501-1000	\$7.17	\$7.88
	1001-5000	\$7.52	\$8.28
	5001	\$7.90	\$8.69
Sample	100	\$41.19	\$45.31
Monthly	300	\$54.19	\$59.61
Billing	700	\$82.17	\$90.39
	10,000	\$799.63	\$879.60

10% \$40 A**Base Rate \$40, 10% Block Increases, 25% Out of City**

	Usage (G/L)	In-City	Out-of-City
	Base	\$40.00	\$44.00
	Consumption		
	1-100	\$4.66	\$6.40
	101-300	\$5.63	\$7.04
	301-500	\$6.20	\$7.75
	501-1000	\$6.82	\$8.52
	1001-5000	\$7.50	\$9.38
	5001	\$8.25	\$10.31
Sample	100	\$44.66	\$56.40
Monthly	300	\$55.93	\$70.49
Billing	700	\$81.96	\$103.03
	10,000	\$814.92	\$1,019.22

**Alternative Comparison
Median Water Use December 2010
300 cubic feet/month**

Alternative	In-City	Out-of-City
Existing	\$34.98	\$52.43
Uniform \$35 B	\$56.00	\$61.60
Uniform \$45 A	\$54.19	\$59.61
5% \$35 B	\$51.39	\$64.24
10% \$40 A	\$55.93	\$70.49

**Alternative Comparison
Median Water Use September 2010
700 cubic feet/month**

Alternative	In-City	Out-of-City
Existing	\$45.02	\$67.59
Uniform \$35 B	\$84.00	\$92.40
Uniform \$45 A	\$80.00	\$100.00
5% \$35 B	\$82.17	\$90.39
10% \$40 A	\$81.96	\$103.03

**Trinidad School
Sample Monthly Costs**

Minimum Usage Maximum Usage
Month Month
8,780 17,720

Alternative	Min Month	Max Month
Existing	\$248	\$473
Uniform \$35 B	\$649	\$1,275
Uniform \$45 A	\$484	\$931
5% \$35 B	\$703	\$1,409
10% \$40 A	\$714	\$1,451

Cher-Ae Heights Sample Monthly Costs

Minimum Usage Maximum Usage
Month Month
8,160 15,690

Alternative	Min Month	Max Month
Existing	\$350	\$636
Uniform \$35 B	\$666	\$1,246
Uniform \$45 A	\$566	\$1,036
5% \$35 B	\$719	\$1,373
10% \$40 A	\$829	\$1,605

8. Discussion

- Questions on the Four Rate Options Presented?
- Specific Additional Scenarios the Council would like to see evaluated?
- Increase revenue requirement to account for potential loss of revenue due to increased conservation?
- Which Annual CPI Rate Adjustment to include in new rate structure?
 - Increase by actual consumer price index or straight 3% or 5%?

9. Next Steps

- Select a Final Rate Structure
- Provide written notice by mail to the water customer and record owner of each parcel connected to the water system
- Conduct a public hearing on the proposed fee not less than 45 days after the mailing
- Consider "all protests against the proposed fee or charge."
- If written protests against the fee are presented by a "majority of owners of the identified parcels," the fee cannot be imposed